



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: August 3, 2005 REPORT NO. 05-170

ATTENTION: Honorable Mayor and City Council
Agenda of August 8, 2005

SUBJECT: Office Space Sublease – Civic Center Plaza – San Diego Data Processing Corporation

SUMMARY

Issues – Should the City Manager be authorized to sublease 14,696 square feet of office space from the San Diego Data Processing Corporation on the fourteenth floor of the Civic Center Plaza (CCP)?

Manager's Recommendations – Authorize the City Manager to sublease the office space.

Other Recommendations – None.

Fiscal Impact – The Sublease of the fourteenth floor of CCP has no impact to the General Fund. The Development Services Department (DSD) Enterprise Fund will pay all occupancy costs totaling \$269,818.56 annually for rent and common area maintenance charges, and one-time expense of approximately \$20.00 per square foot or \$293,920.00 to prepare the space for occupancy.

BACKGROUND

As part of an organizational restructuring, the San Diego Data Processing Corporation (DPC) vacated 22,634 square feet of leased office space in Civic Center Plaza (CCP) at 1200 Third Avenue and a 34,357 square foot building located at 3950 Calle Fortunada. The vacated space in CCP includes the entire 14,696 square foot fourteenth floor and 7,938 square feet on the fourth floor. The lease for the space expires on July 31, 2007. Earlier this year, DPC executed an early termination agreement with their landlord for the space at 3950 Calle Fortunada due to a sale of the property. With respect to the space at Civic Center Plaza, a sublease agreement is proposed for the fourteenth floor and is discussed below. If the proposed sublease for the fourteenth floor

is approved, the only remaining DPC obligation to pay rent is on 7,938 square feet of vacant space on the fourth floor of CCP. The Manager has executed a temporary use permit for a portion of this space to support the City's subpoena related records intake, review and storage functions. The remaining vacant space will cost DPC \$4,520.00 per month through July 2007. On February 28, 2005, the City Treasurer requested City Council approval to sublease DPC's fourth floor CCP space to facilitate a move from space shared with the City Auditor in the City Administration Building. Council direction at that time was to review space needs after the new City Auditor had assumed office in March 2005. The new City Auditor concluded that his office did not require any of the additional office space in CAB, and there has been a reduction in positions in the Treasurer Department's FY 2006 budget. Consequently, the requirement for additional office space has been rescinded. The FY 2006 rates for services provided to the City by DPC assume that the space on the fourteenth floor will be subleased by January 1, 2006, and a broker has been retained by DPC to market the remaining vacant space on the fourth floor.

DISCUSSION

To improve customer service and staff efficiency, DSD wants to occupy the 14,696 square feet of vacant space on the fourteenth floor of CCP. The need for additional office space for DSD was identified in the findings and recommendations of the Development Services Budget Working Group report issued in November 2004, and the Zero Based Management Review Committee report issued in August 2004. Additional space is also needed to accommodate the expansion of City Council Policy 600-27, the Affordable/In-Fill Housing and Sustainable Building Expedite Program. This program cannot achieve a full complement of staffing without additional office space. Construction of the tenant improvements necessary to make the space functional for DSD will result in a one-time expense of \$293,920.00 (\$20.00/ft).

The terms of the proposed sublease agreement are as follows:

Term: 22 months expiring on July 31, 2007

Rent: \$20,574.40/month (\$1.40/sf)

Common Area Maintenance Charge: \$1,910.48/month (\$0.13sf), subject to annual adjustment

Other Charges: None.

Under the terms of the City's master lease for CCP, the City has the first right to lease available space in CCP. Prior to the expiration of the sublease with DPC, staff will return to Council with a proposed lease amendment adding the fourteenth floor space to the City's master lease. If the amendment is approved, the terms are as follows:

Term: August 1, 2007 through July 23, 2014.

Rent: \$20,574.40/month (\$1.40/sf) through March 31, 2008; \$21,309.20/month (\$1.45/sf) from April 1, 2008 through July 23, 2014.

Common Area Maintenance Charge: Base year is 2003, subject to annual adjustment.

Other Charges: None.

ALTERNATIVES

1. Do not approve the sublease agreement with DPC.
2. Seek alternate locations for office space in close proximity to the City Operations Building; however, this would further separate the sections of DSD, and would not help DPC offset its lease obligation through July 31, 2007.

Respectfully submitted,

William T. Griffith
Real Estate Assets Director

Approved: Bruce Herring
Deputy City Manager

GRIFFITH/JAB

Note: The attachment is not available in electronic format. A copy for review is available in the Office of the City Clerk.

Attachment: Sublease Agreement